

January 23, 2002

TO THE GENERAL ASSEMBLY AND THE PEOPLE OF MISSOURI:

The past year has presented our nation and state with many challenges. The national and Missouri economies slipped into recession in March. In fact, Missouri state revenues were already weakening toward the end of 2000. Upon taking office last January, I immediately had to reduce state spending to get the budget back in balance. The terrorist attacks of September 11 took the lives of thousands of our fellow citizens and disrupted the lives of all Americans. The attacks deepened our economic troubles and delayed the hoped for economic recovery. Like Missouri families, state government must live within its means and I have had to further cut state spending to keep the budget in balance.

During the current fiscal year I have had to reduce state spending from appropriated levels by more than \$600 million. These cuts have not been easy, but were necessary to ensure the financial stability of the present and the economic promise of tomorrow. By acting quickly, I believe that Missouri has avoided the financial disasters that currently confront some other states.

The Fiscal Year 2003 budget will again be very tight. The revenue estimate I have endorsed, along with the Missouri House and Senate, calls for only limited growth in general revenue. Therefore, next year we will have to stretch dollars farther than ever before to meet our obligations. It is very difficult to recommend many of the core cuts in this budget. I am saddened that the state will be unable to provide all of the services that citizens have come to expect.

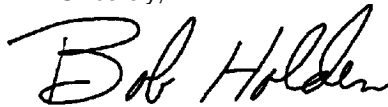
There are some cuts that I am unwilling to recommend. I am calling on the General Assembly to join me in using the state's rainy day fund to preserve critical services that would otherwise have to be reduced to balance the budget. The rainy day fund was established to give the state extra resources when it most needs them. The time has come to use these funds.

Improving K-12 education is my number one priority. The Fiscal Year 2003 budget includes full-funding of the school foundation formula. This additional funding can be obtained without a general tax increase. I am asking the General Assembly to join me in supporting a legislative funding package that will increase state revenues from a variety of sources including riverboat gaming, lottery, tax loopholes, and a tax amnesty program. Securing this funding is a critical step in keeping the state's commitment to improving our schools.

The Fiscal Year 2003 budget also provides important new resources to improve Missouri's homeland security. Even in tight budget times, we must not neglect our responsibility to take prudent steps to safeguard our citizens and vital assets against the emerging terrorist threat.

The Fiscal Year 2003 budget will be the tightest budget in more than a decade. Missouri has weathered such storms in the past and will do so again. I am committed to keeping the budget balanced through fiscally responsible policies. However, now more than ever before, we must look to the future. The future of Missouri is being shaped in the classrooms of today. Passage of my plan to fully fund the school foundation formula is essential to improving teaching and learning and will help secure a brighter future for Missouri.

Sincerely,

A handwritten signature in black ink that reads "Bob Holden". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Bob Holden
Governor of Missouri